

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 56th LEGISLATURE - REGULAR SESSION**

#### **SELECT COMMITTEE ON JOBS AND INCOME**

**Call to Order:** By Chairman Bob DePratu, on December 8, 1998, at 8:30 A.M., in Room 104.

#### **ROLL CALL**

**Members Present:**

Sen. Bob DePratu, SD 40, Chairman (R)  
Rep. Karl Ohs, HD 33, Vice Chairman (R)  
Sen. Jon Tester, SD 45, (D)  
Sen. Lorents Grosfield, SD 13, (R)  
Rep. Bruce Simon, HD 18, (R)  
Rep. Emily Swanson, HD 30 (D)  
Sen. Mike Taylor, SD 37 (R)  
Rep. Doug Mood, HD 58, (R)  
Rep. Carly Tuss, HD 46, (D)

**Members Excused:** Sen. Mignon Waterman, SD 26, (D)

**Staff Present:** Gordon Higgins, Legislative Services Division  
Deb Thompson, Committee Secretary

Minutes are condensed and Paraphrased. Cross referencing can be done through tape notations.

**Committee Meeting Dates:**

Meeting Dates Posted 11/24/98

Subcommittee on Research  
and Development

11/30/98, Room 104 8:00

**Select Committee on Jobs  
and Income:**

11/30/98, Room 104 9:30

12/1/98, Room 325 8:30

Public Input

12/7/98, Room 104 9:30

**12/8/98, Room 325 8:30**

#### **MEETING ON JOBS AND INCOME PROPOSALS**

Jobs and Income Proposals **EXHIBIT(joh00a01)**  
**Committee Discussion and Executive Action**

Rep. Ohs discussed the need to give the staff guidelines to write recommendations for the business recruitment office. Sen. Taylor said he was concerned about which department the office would fit. Gordon Higgins pointed out the framework was there and the details could be worked out later. The issue was one over-arching economic policy.

Rep. Tuss pointed out the need for this committee to create a positive economic development policy. She said this would mean the committee should have a mission statement. Sen. Grosfield said the committee's job was not to micro-manage. He said part of the mission statement would be to further the development of an economic policy and to put the mission statement into statute. He said he would expect this economic policy to include good paying jobs, diversifying economic growth without micro-management.

Rep. Tuss **MOVED** to direct staff to create two documents in the form of bill drafts to cover the economic concept and one draft to deal with the board by gathering information and using the documents that currently exist.

Sen. Tester expressed concerns over the duplication of services and the potential for building more bureaucracy. He asked about tapping private funding rather than using all state dollars. He asked if this should be limited to business recruitment and research and development, then later add the trade and marketing aspect.

**{Tape : 1; Side : A; Approx. Time Counter : 10.2}**

Chairman DePratu noted the concern over term limits. He said this committee was charged with changing the way things are done. The area of economic development needs a complete change. The committee's job is to set the process in place and change the statutes if necessary to be able to do business.

Rep. Simon pointed out that marketing was an extension of current programs already in place. He asked if the current framework could be used and then have a board oversee it.

**{Tape : 1; Side : A; Approx. Time Counter : 14.2}**

Sen. Taylor noted that the current systems were not working. He agreed that duplication would need to be avoided. Marketing could be the board's responsibility. Business recruitment was not enough.

**{Tape : 1; Side : A; Approx. Time Counter : 15.7}**

Rep. Swanson asked what would be removed from either Commerce or Agriculture and how could both marketing and recruitment be coordinated under one oversight board.

Peter Blouke said if responsibilities for marketing and research and development went to the board this would be pulled out of the Economic Development Division so there would be no duplication. The Jobs and Income Proposal would enhance the ability of the oversight board to do those functions. However, he voiced concerns about fragmentation since the board would only be partially staffed and Commerce partially staffed. He said a more efficient way to augment what they are currently doing is to give them the tools to aggressively market and to provide assistance to existing businesses. He agreed that it was just as important to grow existing businesses and help them expand which was vital to the overall economic policy. He viewed the board as an oversight board that measures success and then reports to the Legislature. Duplication would create inefficiencies. This committee can come up with an overall statement of economic policy but it will take some time to work through. Two years is much too quick to accomplish these goals.

***{Tape : 1; Side : A; Approx. Time Counter : 18.5}***

Andy Poole said it made sense for an oversight board to be under the Department of Commerce. He said there was a business location officer in the Department of Commerce currently who responds to inquiries and passes the leads to the Certified Communities Program. The funding in the package for Certified Communities and for business location seems to fit within the business recruitment activity. He pointed out the Science and Technology Alliance, which was charged with investing state funds into research, will no longer exist and will be sun-setting June 30, 1999, which means there is no duplication on the research and development side. Research and Development, Business Recruitment, along with strategic planning would logically fit within this board.

***{Tape : 1; Side : A; Approx. Time Counter : 22.2}***

Rep. Tuss restated her **motion** to require staff to develop an economic policy and to create a board or commission to utilize the information. The question was called. The motion **PASSED unanimously**.

### **Committee Discussion**

Rep. Swanson stated her interest in learning about the ramifications of CI-75 and the potential liability that would

create. Gordon Higgins said he would research this and clarify the issue for the committee.

**{Tape : 1; Side : A; Approx. Time Counter : 26}**

Sen. Grosfield said he did not think this would be a problem since CI-75 dealt with new taxes not current revenue. He clarified that according to CI-75, increases in revenue derived from property tax had to be refunded but that only talked about property tax sources. He said the committee just passed a motion for a bill to get a handle on economic policy for the state. He wanted to spend more time on the board issue concerning representation. He suggested modification in membership where two agriculture representatives should be one crop, one livestock, the two business members - one financial institution and one small business. The advertising marketing area, CPA, one wood products, one mineral, and one university system member. That should be a high profile person in the research area. One from the computer industry will also be on the board. He suggested a member to cover manufacturing and one representing labor.

Rep. Swanson asked whether the research and development member should be actively engaged in the business. Sen. Grosfield said it seemed that qualifications should include high profile.

Chair DePratu asked if this totaled 15 members. He said there was a need for two legislators.

Sen. Grosfield said that two legislators would work. Part of the function of legislator members would add expertise, and the accountability factor would lend a higher profile with legislator members. Sen. Tester mentioned the geographic areas should be considered. Chairman DePratu asked if the committee was comfortable raising the membership on the board to 15 members with one legislator from each house.

Sen. Grosfield **MOVED** to include 15 members on the board and to be refined as to definitions. The question was called. The motion **PASSED** unanimously.

### **Economic Policy Statement**

Sen. Grosfield asked about the other aspect of Rep. Tuss's motion regarding the economic policy of the state if there was enough to go on. Gordon Higgins said with a combination of information, getting feedback from Peter Blouke and Andy Poole for clarification and additional information he could put together a couple paragraphs of one over-all economic policy for the state.

Sen. Grosfield said he would like to see in ten years that we had made a dramatic difference in Montana's economy. Now we can talk about agriculture, minerals, wood products and tourists, the four biggest areas of Montana economy. He asked: after that what is there to mention? In ten years there should be meaningful diversification.

**{Tape : 1; Side : A; Approx. Time Counter : 41.2}**

Sen. Taylor commented to Gordon Higgins, when he starts writing about economic policy, to keep the statement simple for anybody to understand. He cautioned that Montana main street needs to be able to understand. Rep. Simon noted it was important to develop enough flexibility so that new ideas could be used. Sen. Grosfield said he agreed about flexibility. He pointed out that Idaho had conditions on their business recruitment. One of those conditions was 10-15% higher wages than the state average. This may be too much detail to go into a mission statement but he wanted to keep that thought in mind. This effort should be targeted for good jobs.

**{Tape : 1; Side : A; Approx. Time Counter : 44.1}**

Chairman DePratu emphasized the idea was to target jobs that were above state average, so the state average keeps increasing, which should be made into a public statement. Rep. Swanson pointed out that every state had the same goal of competing for a better position in the national average. She suggested writing the mission statement to generalize "approaching the national average" not a specific number.

Chairman DePratu said the committee should work on the fourteen items in the proposal to work out agreements.

### **Identifying Specialty Markets**

Ralph Peck stated this was part of the 2005 Task Force proposal to build and market Montana agriculture products. The proposal would allow individuals to come to the Growth Through Agriculture Council for funds. The council would make sure the requests were in line with the goals and objectives to get a return for Montana in international marketing.

Rep. Ohs asked for clarification of who would go to the Growth Through Agriculture Council, would it be individuals looking for the specialty markets. Peck gave an example, individuals had an opportunity to move organic products into Taiwan. In that case, a cooperative project was initiated with the U.S. Trade organization, and funding was able to be leveraged and products sold. Made in Montana promotions have also gone through the

council for funding their trade shows. Rep. Ohs asked what increased funding would do for the council.

**{Tape : 1; Side : A; Approx. Time Counter : 51.5}**

Blouke replied that marketing products was an important function of economic development and one the 2005 Task Force had identified as significant. Sen. Taylor voiced concerns about duplication. He said he supported the program. The University of Montana has a program that funds and drives agriculture products called The Rocky Mountain Front.

**{Tape : 1; Side : A; Approx. Time Counter : 55.6}**

Blouke said the Rocky Mountain Front and the World Trade Center both promoted products. However, under this proposal a group would come together, go to the Growth Through agriculture Council for funding and then contract with one of these groups. They have to get the funding first to be able to contract. He said one idea for marketing was to contract with these types of organizations to provide services for those business that cannot afford to pay their price. The government is charged with helping those businesses.

Rep. Tuss asked if the Growth Through Agriculture Council needed an additional member. Sen. Taylor pointed out there was a project manager in the proposal assigned to agriculture programs. pointed out as the board was formed, their identity would be created. The board would be attending to the Jobs and Income booklet, be familiar with Growth Through Agriculture, Certified Communities and everything these two agencies have been involved in regarding economic development. There would be some background time.

**{Tape : 1; Side : A; Approx. Time Counter : 61.2}**

Sen. Tester **MOVED** to adopt this. The question was called. The motion PASSED unanimously.

### **Business Tax**

Mary Bryson, Director of the Department of Revenue presented the business tax information. She referred to a memo from the Department of Revenue to Senator Bob DePratu from Brad Simshaw, Tax Policy Analyst. **EXHIBIT (joh00a02)** She said the department put together an analysis of the Business Equipment Tax and the impact of reducing the tax or phasing it out with an exemption. She gave the committee some background information.

Sen. Taylor asked if the department had used any statistics that showed the reduction of taxes versus the creation of more jobs since there would be a larger income base. Bryson replied that

the analysis was on current information. They have done some economic analysis on growth in income. Rep. Swanson noted there were already income tax projections that were factored in.

Chairman DePratu said there would be increased equipment into the state which could develop into increased business and increased payrolls. Rep. Swanson replied that projections had to be based on trends which have been noted in the reduction of the equipment tax from 12% to 6%. Those trends should be visible in the revenue estimates and they are not. This may not produce a miraculous change when there has been no evidence of changes when the tax was cut in half. Chairman DePratu said even by cutting it in half Montana has not been competitive nor have businesses been attracted to the state.

Sen. Taylor said this would be the argument of the opposition that if you can't see change, The tax will come out of manufacturing fixed equipment. If you are looking at a tax where you can hide the inventory, like in small businesses, if you don't have to count cows properly is one thing but when you look at a fixed manufacturing plant where the physical plant can be taxed, the companies with development will look at it and say "we can't afford that tax." He stressed to the committee that science and technology companies could not come into the state without lowering that business equipment tax.

Rep. Simon noted the business equipment tax was not equally distributed across the state. He asked if there was a difference in the rate where there was a heavy concentration that would skew the numbers. Bryson replied that the mil levy was different across the state and the effective tax rate applied to this equipment was different. The potential does exist in some areas of the state where there is a greater base of property there may be a lower mil rate due to the greater base of valuation. She referred to the 1992 comparison showing significant differences in the effective tax rate in business equipment tax rate because of the base and because of the mills that are applied in those areas.

Rep. Simon asked about the potential recapture. A company that is paying income taxes will lose that deduction. He asked if this could be picked up by the corporate income tax or individual income tax. Bryson said that was an issue since this was a deductible tax. Simon asked if the business equipment tax goes down on individual businesses then would their income tax would pick part of that back up in their income tax.

Chairman DePratu asked if the department had an estimate of how many people or corporations would owe this tax that were being

overlooked and were not paying this tax. Bryson said there were no estimates. She said most corporations were paying this it was the small businesses that may not have been captured.

**{Tape : 1; Side : B; Approx. Time Counter : 16.4}**

Sen. Grosfield asked if the income tax analysis would be available in time for the legislature. He said this could be significant. The reason for doing this was to stimulate additional business and an extension of current business that this may have an impact on increased income tax receipts. Bryson replied that they would need to have answers on the issue and the impact of the loss of the tax deduction and what it might mean.

Bryson described the phase out and the \$10 thousand dollar exemption.

Rep. Swanson asked about the estimated tax losses. She said there was an option of replacing this loss of revenue with another source of revenue to the local governments and schools that it is going to impact. This could be a general fund reimbursement, which was done in the past, or not. Then local governments would not feel the impact so there would be no need for a local tax shift to make up for that difference. However, if there were no reimbursements then local governments would either have to raise their mil levies, which could happen with schools or in the case of local governments since they are tied down by I-105 so they would probably look for a fee structure to replace that revenue, in which case the fees will be placed on commercial property owned by those same business that you are trying to give this assistance to and homeowners. So many of the businesses are sole proprietorships, those are single family home owners as well as businesses. They get the reduction then get fees applied to make up the revenue. She pointed out that none of this was as simple as it looked on the surface. She said the 19 businesses that pay the most in personal property taxes include Stillwater Mining, Asarco, Montana Resources, Plum Creek, etc. - pay 39% of the business equipment taxes. If this 39% is taken away, which represents 26.67 million in taxes, the money has to be made up by local governments in the way of fees or mils to local businesses so that local business owners and their commercial property will be picking up that tax bill that these companies have been paying.

Bryson said the department could do an analysis on the impact on sole proprietors might be if the replacement revenue had to be locally generated. The impact would vary depending on the community.

#### **Business Tax Discussion**

Chairman DePratu said this was one of the charges and desires of the Governor to set in place a method of reducing the business equipment tax.

Sen. Tester asked Bryson to clarify centrally assessed equipment if they had class A property. Sen. Grosfield clarified this was the business equipment in class 8 only.

**{Tape : 1; Side : B; Approx. Time Counter : 30}**

Rep. Swanson referred to the Governors Tax Reform Proposal, Building a Better Tax Structure. **EXHIBIT(joh00a03)** The classes of property are detailed on page six of the proposal. She asked if the tax reduction were applied to only one class and not others would this be an exposure to liability for discriminatory taxation. Bryson said this was the caution that the department wanted to point out. There are 11 classes of property and the department does have the authority to make distinctions in how the classes of property are taxed. Rep. Swanson cited the example of Coal Strip which has four different owners where one is given a tax break because they are locally assessed and the others pay a higher rate. Bryson said with deregulation that potential does exist because of the structure of the company.

Rep. Swanson said the reason she questioned this was that she was not convinced that this kind of tax give-away would spur the economy.

**{Tape : 1; Side : B; Approx. Time Counter : 38.7}**

Sen. Taylor pointed out there was a question in the courts in other states about this very issue. The state could set distinctions between categories.

Rep. Simon pointed out that there was already a disparity of rates in taxes if nothing was changed. Centrally assessed utilities are at 12%, Business Equipment at 6%. He gave the example of Montana Power at 12%, PPL was not a utility would be at 6%. If a cooperative had bought it they would be taxed at 3% and if the city of Billings had bought it they would pay no tax since it was a government agency. Four different agencies would be taxed at four different rates which was current law. Bryson said this was true, there was a disparity in the classification system today and the Supreme Court has upheld that. Rep. Simon said this was one of the driving forces in the sale of Montana Power to get out from under these fixed assets and sell them to somebody else that could be taxed at a lower rate. Moving to a non-regulated market they have to be competitive.

**{Tape : 1; Side : B; Approx. Time Counter : 40.7}**

Sen. Taylor pointed out the chances of lawsuits were slim. Other states have disparity of tax structures. They have no income taxes, high corporate taxes, among others... No matter what you tax utilities they pass it on to the consumer. Bryson agreed that whatever the tax was they would pass it on to the consumers. Most people would pass their cost on.

**{Tape : 1; Side : B; Approx. Time Counter : 45.8}**

Rep. Simon said this was the cornerstone, the most important issue dealt with in the committee. This would do more for economic development than anything else the committee would do. If this is not done, then Montana is content at being last. The goal is for better pay and more jobs. The current public policy is a roadblock. The top property tax payers in the state on the list are also the very employers that we would want to encourage because they are the best paying jobs. Montana Tunnels are on their way to being shut down. Golden Sunlight mine would play out due to the initiative that just passed will be off the list. Some of the companies are trying to survive yet these are the best paying jobs. Value added companies take Montana raw materials and put them into greater value but it takes equipment. Business equipment tax discourages the investment in equipment. Agriculture wants value added products to raise the value and bring in more income but the business equipment tax is an impediment for growth. He said in order to attract companies to Montana to be competitive the major impediment for companies investing in equipment was this business equipment tax. He stated this was the most important "lynch pin" of business development. He pointed out the committee's charge was for jobs and income and to be able to tell the legislature these are the things we think we can do. This puts a package before the legislature that will help grow the economy. He asked if the economy is not grown, where will the revenue come from. You can't go back to the same pocket over and over.

**{Tape : 1; Side : B; Approx. Time Counter : 48.6}**

Sen. Taylor pointed out that the business equipment tax is not fair. A fair tax taxes people when they make money. Montana needs relationships with the rest of the world in order to succeed. Montana has to be able to export products in order to build the economy. He said the tools need to be in place to take advantage of economic development.

**{Tape : 1; Side : B; Approx. Time Counter : 56.9}**

Sen. Taylor discussed tax breaks for big companies. The first thing these companies look at is the tax structure then they look at the market and if they have trained personnel. He said he was not in favor of just giving VentureStar a tax break because he believed in Montana businesses and they are struggling. If this

tax is reduced then businesses can expand. This tax should be reimbursed to the local counties. This is the single best issue that offers Montana a chance to create manufacturing jobs that pay good. If you create one manufacturing job you create at least two to three auxiliary jobs. Economic policy that is predictable and stable will effect future generations.

Rep. Swanson said that narrowing the tax base would create problems in other places. The problems with the list of big companies was not the taxes they pay but the shortage of timber, the price of gold or transportation to market. She asked how local counties and school districts and communities would be reimbursed. Sen. Taylor said that was not the charge of this committee. The committee was to look at what the best tools would be to create jobs and income. He said one of the best tools would be to cut the tax rate. Rep. Swanson asked about a reimbursement mechanism. Chairman DePratu said this would be up to the tax committee and the regular legislature.

**{Tape : 2; Side : A; Approx. Time Counter : 5.2}**

Rep. Ohs noted what the committee was talking about would have to come out of the general fund. A decision had to be made about what was important. Maybe other ideas would backfill such as increasing the corporate tax. Rep. Ohs said not all the details were known. Rep. Swanson urged that a reimbursement mechanism be attached to the bill. She said an additional issue would be the need to see evidence that the money was being made up by economic growth. The statistics show today with the decline of the tax rate from 9-6%, is there was some growth in market value of business equipment properties but it did not make up for the loss in tax revenues for the declining rate. When those match there can be a decline in reimbursement. She said she has requested an amendment to whatever bill is proposed that would establish benchmarks to measure this economic growth. She would like to add to that amendment that a reimbursement schedule be attached to that economic growth so when that economic growth occurs the reimbursement declines.

**{Tape : 2; Side : A; Approx. Time Counter : 7.4}**

Rep. Ohs pointed out the current policy has not worked. He encouraged the committee to pass this and then work on the details. A strong statement needs to be made that Montana is changing its tax structure.

**{Tape : 2; Side : A; Approx. Time Counter : 13.2}**

Rep. Simon noted the technological advances were happening at blinding speed and it was critical for Montana to do what is necessary to stay on the cutting edge. Telecommunications in the state need to make the investments that are necessary to make

certain we have the highest speed data possible. He said all businesses need help. Overall tax reform is needed.

**{Tape : 2; Side : A; Approx. Time Counter : 15.1}**

Rep. Mood responded about competing with other states that have zero business equipment tax and if we reduce the tax from 9-6% it is no surprise that there is no improvement in the situation. The main purpose is to lower the expense of doing business in Montana both in capital and time. It does not help when the market goes down but the fixed expenses are increased by the business equipment tax. This will put policy in place to allow Montana to compete with other states in attracting new businesses.

**{Tape : 2; Side : A; Approx. Time Counter : 24.2}**

Sen. Taylor said Montana spends less on economic development than any other surrounding state. He MOVED that this committee approve a Do Pass on LC 321. This bill reduces taxes by 1% per year beginning in 1999 in class 8, gives a \$10 thousand dollar exemption immediately in 1999 per business exemption and reduces class 6 property tax over 6 years, which is sheep, hogs, cows, etc.

Rep. Swanson asked if the bill included a reimbursement mechanism for local governments and schools. Sen. Taylor replied that it did. Rep. Swanson asked if this was a vote to see the draft. Sen. Taylor clarified the class 6 tax dealt with counting animals. He said this was a nuisance tax and an abuse tax where it sets up people to maybe not be as honest as they should be and there is no way to administrate it.

Jeff Martin, Legislative Services Division, said the class 6 was mostly livestock but also included some rental equipment and the canola facility. Sen. Tester said he would vote to see the bill.

The question was called. The motion **PASSED** unanimously.

#### **Domestic and International Market Access-Marketing Development**

Rep. Ohs commented that market access was a topic heard over and over in the focus groups and the 2005 Task Force. Assistance was needed for small businesses to participate in national and international trade shows and assistance for marketing and packaging goods.

Sen. Grosfield asked about the research aspect under tab 13 of the briefing book. Blouke said this would allow for tools to help research markets that were appropriate. The committee discussed ways to simplify the issues into one single

appropriation bill. Blouke said once the committee indicates intent they would have another opportunity to look at the bill. The issues associated with economic revitalization should be kept together. The committee decided to request a bill draft and then review the draft. Gordon Higgins agreed this would include the by-line.

**{Tape : 2; Side : A; Approx. Time Counter : 39.6}**

Blouke discussed which items in the Jobs and Income Proposals needed committee bill requests and which items could be in an appropriations bill. Chairman DePratu asked how the committee felt about looking at these topics in one appropriations bill. Rep. Ohs said a motion would not be needed but rather to just direct the staff to work on it. Rep. Simon said he would anticipate language that would set aside funding. Sen. Grosfield pointed out that more detail would help. The addition of narrative would allow a benchmark for future legislatures or committees to compare to if the targets are reached.

**{Tape : 2; Side : A; Approx. Time Counter : 51.4}**

Rep. Simon noted this was the biggest "trust me" bill in the history of the legislature with all these different programs and virtually little details. He stressed the importance of narrative to allow an explanation. Blouke said that every member would have a copy of the briefing book and it could be referenced in the bill.

Sen. Taylor pointed out the commission or board in the next couple of years would have reviewed the programs and made recommendations. Chairman DePratu said he liked being able to tie it into the book since that work was already done.

Rep. Ohs **MOVED** that this be tied into the book. The motion **PASSED** unanimously.

Chairman DePratu asked if the committee wanted to approve Market Identification and Research. Blouke clarified that VII 3, 4, and 5 should be kept separate for purposes of identification.

Sen. Grosfield **MOVED** to put market identification into the appropriations bill. The question was called. The motion **PASSED** unanimously.

#### **Domestic and International Market Access-Foreign Initiatives**

Rep. Simon noted that action was needed here but that closer markets were important. He emphasized the necessity to look at domestic markets such as California. He hoped the record would show that if the committee passes this there is also an emphasis

within the borders of the United States. Blouke responded there were domestic markets that could be gone after aggressively and that was a priority. He mentioned one of the things they wanted to accomplish through the Jobs and Income Proposal was to establish a sister relationship with one of the Chinese Provinces.

**{Tape : 2; Side : B; Approx. Time Counter : 5.3}**

Sen. Grosfield said this was a good illustration of whether issues should be put in the bill or referred back to narrative. This narrative needed specific language in the bill to describe these, otherwise there was no clear guidance.

Rep. Simon **MOVED** to approve this proposal. The question was called. The motion **PASSED** unanimously.

#### **Agricultural Product Promotion** (tab 18)

Rep. Ohs asked for an explanation of the funding source. Peck responded it was from the Growth Through Agriculture. Peck discussed marketing research such as Cream of the West, a company in Billings. He passed around a bag of Crunch for the committee members to try. He said the proposals from the 2005 Task Force would have two people working in the Department of Agriculture to increase marketing activities to meet the goal of doubling the size of the economic value by 2005. This would need direct marketing emphasis to meet that goal. These two individuals would work with the existing marketing program to drive that initiative and work with the Department of Commerce with specific trade initiative so there would be a coordinated action with contract activities with such things as the World Trade Center. The proposal would locate them in the Department of Agriculture with their emphasis to go out and build these markets.

Sen. Tester asked about the economic strategies and trade leads seemed like they should work together. Peck responded this proposal only funded the two positions but Commerce would fund contract assistance.

**{Tape : 2; Side : B; Approx. Time Counter : 14.3}**

Sen. Tester **MOVED** to adopt the Agriculture Product Promotion. The question was called. The motion **PASSED** unanimously.

#### **Technology Transfer and Use**-Manufacturing Extension Services

Sen. Grosfield talked about the mail received from a number of small manufacturing companies around the state that specifically mentioned this program as very beneficial and important. This

would expand their program. Blouke said this would not expand the program but would identify a funding source. Last Session it was funded out of research and development budget and now this is a stand-alone program and should be funded on its own.

Sen. Grosfield **MOVED** that this item be included in the bill. Sen. Taylor said he sat on this board and it has been helpful. This program needs review in the future. The question was called. The motion **PASSED** unanimously.

### **Small Business Development Centers**

Rep. Simon **MOVED** for approval. The question was called. The motion **PASSED** unanimously.

### **Agriculture Business Assistance**

Peck explained that Dave Lewis had corrected the number on the sheet that added \$10,800. This would mean the total was \$332 thousand. This proposal came from the 2005 Task Force recommendations.

Sen. Taylor asked Peck what would happen if the program was created and the commission decided it was no good, would this be building a basis. Peck said the industry has to have a high degree of ownership to reach their goal. It should be reviewed so that they reach their goal.

Sen. Tester asked Peck if the help was already available. Peck said this issue came out in 2005 Task Force where they said there was a need for someone to work to make things happen to meet the goal to double the industry.

Rep. Swanson asked how this would tie to the concept of one-stop shopping. This appeared to be enhancing one business promotion entity in each department. Peck said requests for help needed to be tracked, almost tandem case management. This would provide the catalyst to help businesses succeed and have access to resources, not to do it for them.

Rep. Ohs **MOVED** to do pass. The question was called. the motion **PASSED** unanimously.

### **Rail Transportation Technical Assistance**

Rep. Ohs questioned the need for this proposal. Peck clarified transportation was a big issue under the 2005 Task Force. Specific needs could be addressed if this appropriation was available on a case-by-case basis.

Randy Johnson clarified that the Montana Wheat and Barley Committee contracted with Terry Whiteside, a transportation consultant in Billings, to carry out their transportation functions. He said this was a unique opportunity in the next few years. The alliance for rail competition was an alliance of industries that were affected by railroad's market dominance. Terry Whiteside is the foremost authority on railroad issues. Over the next three years there will be a major push in Congress to move forward to address competitive access.

Rep. Ohs said this was spending authority. Peck said this was authority to look at transportation issues should they need to be addressed by Montana.

Rep. Simon said this was another example where the intention was not clear in the briefing book. It is unclear what they were going to do with the money. Blouke responded if the committee desired their staff could go back and rewrite areas to reflect the areas of concern of the committee. Rep. Simon said if the committee was going to approve, it would need to be clarified what the money was going to be used for.

**{Tape : 2; Side : B; Approx. Time Counter : 36}**

Sen. Grosfield pointed out it was not only legislators that needed to understand what the bill says but the public has to understand what the dollars are for specifically.

Rep. Ohs said the spending authority was for an emergency that would probably arise for rail transportation. He **MOVED** to pass this proposal. The question was called. The motion **PASSED** unanimously.

**{Tape : 2; Side : B; Approx. Time Counter : 36.9}**

#### **Business Start-up and Expansion Training (tab 29)**

Rep. Swanson pointed out the committee was committed to economic development but the whole legislature may not see that. She suggested documentation be prepared to keep that in mind. Rep. Ohs said this was true. Reading this, the legislators would focus on the FTE's and red flags would go up. Rep. Simon said it was important for the committee to put a lot of credibility to the process.

**{Tape : 2; Side : B; Approx. Time Counter : 40.6}**

Rep. Simon said small business is the backbone of Montana and they need help. This was not a lot of money but would provide a valuable resource to help businesses avoid problems. He **MOVED** to approve. The question was called. The motion **PASSED** unanimously.

**{Tape : 2; Side : B; Approx. Time Counter : 43.6}**

**Apprenticeship Training** (tab 30)

Rep. Simon said this was not a new program but an ongoing program. It was the funding source that was bounced from place to place. The program took \$200 thousand from the building codes who had a million dollar balance. This is the first time it would come out of the general fund.

**{Tape : 2; Side : B; Approx. Time Counter : 44.7}**

Sen. Tester **MOVED** to adopt this proposal. The motion **PASSED** unanimously.

**Microloan Technical Training** (tab 31)

Andy Poole said the program was intended to use technology to reach out to the Native American Reservations and very rural areas in the state to provide small business technical assistance. The grant was offered by the U.S. Department of Commerce for this purpose. It was a good opportunity to provide expertise to rural areas. Rep. Mood asked what would happen if there were no telecommunications on the reservations. Poole said if there is no telecommunications then the contract could be modified with the U.S. Department of Commerce to allow some of that funding to be used for person to person counseling. It is possible to develop video training and other options.

**{Tape : 2; Side : B; Approx. Time Counter : 47.3}**

Sen. Taylor said the program could use more research. He was concerned about duplication. Poole clarified the FTE already existed in the Department of Commerce. Some of the money was already in use for outreach into Lewis and Clark County and some other counties in central Montana. This would be a change in direction to the Native American Reservations. This was an opportunity to provide services to those that haven't been getting help.

Sen. Taylor said there was a chance to review this item. He **MOVED** to accept this proposal as long as it was reviewed before finalizing.

Rep. Simon commented that he was not convinced that this was the right way to go. He said if a small business was so undercapitalized that they could not go get some help rather than watching videos they would probably fail anyway.

The question was called. The motion **PASSED** with Rep. Simon and Sen. Grosfield voting no.

**Technical Assistance** (Tab 4)

Peck discussed one item under Technical Assistance (tab 4) that was overlooked. He explained the task force spent a lot of time on the ability to build irrigation for another 500 thousand acres. There needs to be some way to achieve that goal. The proposal was to put some FTE under the Department of Natural Resources that would work with people to put irrigation facilities in place. He discussed the large irrigation projects. He pointed out that individual farmers and ranchers start to look at the irrigation alternatives they need someone to answer all the questions. He said there was another 300 thousand acres of adjudicated water available through conservation districts for irrigation. This needs to be put in place for market development.

***{Tape : 2; Side : B; Approx. Time Counter : 55.4}***

Sen. Tester asked if this would be part of HB 6. Peck replied this would be separate since this was staffing to provide that type of promotion. Bonding would be in HB 6. Sen. Tester referred to the agriculture business assistance and why couldn't they be involved with irrigation. Peck said it becomes an issue of available resources to accomplish the function. This is a big enough initiative to try to seek out another 500 thousand acres of irrigated land and make that happen is why it needed a major emphasis. The water resources and water information and conservation districts currently sit in the natural resources department.

Rep. Simon voiced concerns about the irrigation project. He said this should be in a separate bill since it needs more discussion. They could increase acreage, increase production and still not get anything for the crops.

Sen. Taylor said he agreed. Marketing should come first. This should not be tied to this appropriation but rather deferred. Rep. Mood pointed out this was moved previously to have no recommendation.

***{Tape : 3; Side : A; Approx. Time Counter : 1.8}***

**Certified Communities** (tab D)

Sen. Taylor said Certified Communities should be folded into the new commission to give them opportunity to review that program. Blouke noted a board such as this is important and could provide some excellent oversight and direction but they would need some resources. The board would be given the flexibility to use those funds. Blouke said he would agree to work with the board to find a simple structure for a one-stop business shopping in order to

streamline the process rather than dealing with four or five agencies. He said the Jobs and Income Proposals and the 2005 Task Force involved a lot of work and it was important to find a method that makes the most sense for a user friendly system.

Rep. Swanson commented about facing a funding cycle. How could this be presented to the Legislature so they could see it as a cost effective way of using public money. Blouke pointed out the long term process.

**{Tape : 3; Side : A; Approx. Time Counter : 8.7}**

Sen. Taylor **MOVED** to put the Certified Communities proposal into the board and then review the program later.

**{Tape : 3; Side : A; Approx. Time Counter : 20.8}**

Sen. Grosfield clarified this proposal would raise the funding. The council would evaluate everything in the book. It may not be the best way to accomplish it by dumping Certified Communities on them on day-one.

Sen. Taylor said there needed to be funding sources and he was not sure Certified Communities worked. It was not as effective as it should be. This would allow the use of the money for that purpose if the council wanted it. Sen. Grosfield replied it was almost a million dollars for the biennium. Blouke said there was no money currently spent for the Certified Communities program. He said there was currently an FTE working on business recruitment. If business recruitment was moved to the board then the FTE should be moved as well. Certified Communities was closely tied to business recruitment and should also be moved to the board.

**{Tape : 3; Side : A; Approx. Time Counter : 22.7}**

The question was called. The motion **PASSED** unanimously.

Rep. Swanson asked if funding for the Certified Communities program was then attached to the commission to carry it through its first biennium. She noted the issue of the Treasure State Endowment program had not been addressed, which was the approval of grants under the commission's authority. Gordon Higgins responded that this function would be rolled into the overall board. Rep. Swanson said she thought this board would do business recruitment and research and development. She stressed that the Treasure State Endowment program was not a minor task.

Sen. Taylor said the commission or board would have a certain structure to work from and they could start on some of these areas. He thought the committee had decided to back away from marketing and let the agencies do that part. This structure

would be worked on for the next two years and the board could do more as time went on.

Rep. Swanson questioned why annual approval had not passed in previous legislatures. The reason was legislators were reluctant to give up legislative authority since it was public money. Now you are granting that approval to somebody who is appointed.

Sen. Taylor noted there was a movement to get this annualized completely. Long Range Planning is usually where this goes through. Longevity and stature are created. Rep. Ohs pointed out this would be scrutinized.

Rep. Ohs **MOVED** to allow the committee review of the bill that would take the Treasure State Endowment and place it into the commission to enable annual authorization for spending those funds. He noted this would be a separate bill.

Rep. Simon pointed out the need to get this on a faster tract for communities that need those resources. He asked what other mechanism would get the job done.

**{Tape : 3; Side : A; Approx. Time Counter : 36.8}**

Rep. Tuss stated she was opposed to giving the Governor the authority to appropriate money since that is the function of legislators. She suggested the committee take a close look at the statute and then refer that responsibility to an interim committee of the legislature.

Rep. Simon noted this was not the first time the legislature has granted authority to some group or board to grant out money, such as the Coal Board.

Sen. Tester noted the problem was projects were approved every two years.

Sen. Taylor said there was a need to look at the idea since some of the projects won't get funded for three years. The process is very cumbersome.

Rep. Ohs said he had a motion on the table to draft the legislation. Once that is drafted, the history can be researched. The question was called. The motion **PASSED** with Reps. Tuss and Swanson voting no.

**{Tape : 3; Side : A; Approx. Time Counter : 42}**

Chairman DePratu suggested there were two items left under #7. Item #1, 3 and 4 falls under the subcommittee to work on.

**Local Leadership Grants (Tab I)**

Rep. Simon **MOVED** to not include this item. Sen. Taylor noted this was tab I. He said he would defer this to the new commission and fold it into the process since there was some funding there. Sen. Grosfield said a middle ground would be to strip the funding but to include this proposal to the new board of the Certified Communities to develop local leadership. Blouke explained that there were a lot of very good leadership programs conducted at the local level. However, small, rural communities do not have those resources. The idea was to assist smaller communities to move forward with economic development.

Rep. Tuss asked if funding could be used from Tourism Advisory for the leadership.

Sen. Taylor made a **SUBSTITUTE MOTION** that this be included in the new makeup of the commission with the funding. Rep. Tuss offered to amend the motion to recommend funding come the Tourism Advisory and to change the statute accordingly. Blouke clarified that would require a change in the statute.

Sen. Grosfield pointed out this was dealing with different funding sources which would mean a separate bill.

Rep. Tuss **WITHDREW** her motion.

The question was called on Sen. Taylor's motion. The motion **PASSED** with Reps. Simon, Tuss, Ohs and Sen. Tester voting no.

**Main Street Program (Tab J)**

Blouke pointed out this was a separate bill and would have an allocation in the bill. The question was whether the committee wanted to endorse the program to revitalize the main street issue. Chairman DePratu said the committee would want to see the bill. Rep. Ohs said that it should be endorsed as a resolution.  
**{Tape : 3; Side : A; Approx. Time Counter : 52.6}**

Sen. Grosfield **MOVED** to review the bill draft at the next meeting. The question was called. The motion **PASSED** with one no vote by Rep. Simon.

Sen. Grosfield said he had another motion that would give an option. This referred to the Treasure State Endowment. He asked John Tubbs from DNRC about how much money was in the endowment for next year. He noted the issue, which was the problem of no approval in the off year. The issue is not who approves but can

it be approved or not. He asked if there was an estimate of funds.

Sen. Grosfield **MOVED** to have a bill that would set up an annual process through the Legislative Finance Committee along the lines of a budget amendment proposal. The question was called. The motion **PASSED** unanimously.

Chairman DePratu discussed the next meeting. Gordon Higgins estimated there were a dozen bill draft requests including the large appropriation. He said the board proposal would take quite a bit of time as well as the appropriations bill with the addition of narrative. Rep. Ohs noted the Rules Committee would be meeting the 18th and could grant select committees the ability to instruct staff. Rep. Swanson said the bills would be needing a fiscal note which should be prepared before they reach the floor of the House. Rep. Simon noted that when the money is in the appropriations bill it becomes a fiscal note since it outlines where the money is coming from and where it is going. Rep. Swanson pointed out the fiscal notes were more concise.

Chairman DePratu discussed the dates of the next meetings to be December 29 and 30. Sen. Tester asked if some of the bills could be seen ahead of time. Rep. Swanson asked if there was some space reserved for the funding mechanism for the research and commercialization bill. Gordon Higgins said it depended on what the subcommittee decided. Rep. Swanson asked that the first item discussed at the next meeting be the subcommittee concept, have a discussion then refer the bill requests to the drafter.

Rep. Simon pointed out the enormous help provided by the briefing book. He asked if the drafts could be organized the same way.

The next meeting was set for December 29th and 30th at 8:30 A.M.

**EXHIBIT (joh00a04) EXHIBIT (joh00a05) EXHIBIT (joh00a06) EXHIBIT (joh00a07)** were given out of order during the meeting.

**ADJOURNMENT**

**Adjournment:** 3:56 P.M.

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SEN. BOB DEPRATU, Chairman

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DEB THOMPSON, Secretary

BD/dt

**EXHIBIT** (joh00aad)